Economic Update Transcript **2 July 2010**

The global situation is actually improving but it's still somewhat fearsome so people are apprehensive and we get a lot of bad news coming out of various areas around the globe.

But in actual fact in comparison to 12 months ago they've made substantial improvements. There is a lot of fear mongering going on because it's a good way to, I guess, to get your name in the paper. But in reality the economic cycle is starting it's beginning in the same way that it's done numerous times in the past – with a lot of apprehension as a consequence of previous events, but a lot of the numbers and the actions that have been taken allow us to be somewhat optimistic about the future. The economic recoveries tend to be relatively slow in the first instance then gain pace. Because the economic growth is fairly low a small reversal appears to be much more aggravated than it really is.

Our domestic economy, it's been over done a little bit but it's settling back to a lower level, but that lower level will be somewhat higher than the levels we saw in 2008/2009 and we can expect a continuation of growth from the Aug/Sep period. The resources are a continued strength and that's with the thought that over the next 18 months or so we would expect to see a little bit of decline on what we've had in 2007/2008 but we would also expect that other industry sectors are more in recovery at the time compensating for the lesser contribution to the economy than the resources area.

So we're expecting just a gradual and slow deterioration and not a major correction, but a slow deterioration over the next 18 months. By resources, we are referring to the hard commodities – silver, lead, tin, nickel, zinc, aluminium, iron ore and so on. Soft commodities, rural commodities will continue to be in demand and in some areas we expect some increases with the lower dollar. We expect to see improved returns from most of the agricultural commodities. We see the cattle prices remaining fairly constant although with a smaller biased to the upside. We expect cotton prices to have reached their peak or be pretty close to it and we expect a decline in cotton prices now over the coming 6 months. The wheat prices are pretty much on their lows and we expect to see somewhat of a rise between now and the Christmas period.

The Australian dollar, currently around the 86 cent mark is quite volatile but we still expect a downturn to 78 cents and we would expect that again over the next 3 – 6months.

Interest rates are pretty much steady and unlikely to increase or decrease on the current economic conditions. Even an increase in inflation at this stage is unlikely to prompt the reserve bank to increase interest rates as other areas of the economy are in contraction. You could even make a case that the next move we see in interest rates is more likely to be a decrease, but at this stage we expect them to remain constant. In relation to fixing interest rates, we're really now looking at a much lower premium than we had 6 – 8 weeks ago. But we are expecting that premium to decrease a little bit further and at the appropriate time that will be the subject of an Investor Alert that we will send to everyone.

Now the Australian share market. We are expecting the All Ords to decrease a little further than it is as the moment. The minimum we would expect it to come down or the best result would be a decrease to 4150. Going through 4150, the next possible support level is around 4040, but the highest possibility is that this market will decline back to just on 3800. At 3800 though, we will have completed the first segment of the market which means that we will commence the climb through to around 8000 points which we would expect to achieve perhaps late in 2013. After we reach that 3800 which should occur prior to the end of August it could be much shorter, but we would expect the market to be up to the 5400 mark by the end of the calendar year. The share market, a lot of strength there, this pullback is going to allow buying back into the market with dividend yields perhaps not as low as we were able to achieve earlier last year when we started building the portfolios but certainly very attractive yields which will restore the portfolios back to a neutral or slightly cash flow positive basis.

Thank you very much and we'll do the next economic update in approximately 4 weeks time.